

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Reese Unity District Library	County Tuscola
Fiscal Year End 12-31-07	Opinion Date 1-21-08	Date Audit Report Submitted to State 3-12-08	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES ☒ NO ☐ Check each applicable box below. (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
  - ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
  - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
  - ☒ ☐ The local unit has adopted a budget for all required funds.
  - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
  - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
  - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
  - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
  - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
  - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
  - ☒ ☐ The local unit is free of repeated comments from previous years.
  - ☒ ☐ The audit opinion is UNQUALIFIED.
  - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
  - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
  - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) ANDERSON, TUCKEY, BERNHARDT & ADAM		Telephone Number 989-673-3137	
Street Address 715 E. FRANK ST		City CARO	State MI
Authorizing CPA Signature Gary R. Anderson CPA		Printed Name GARY R. ANDERSON	Zip 48723
		License Number 1101005446	

**REESE UNITY DISTRICT LIBRARY**  
Reese, Michigan

Report on Financial Statements  
(with required supplementary  
and additional information)  
December 31, 2007

# **Reese Unity District Library**

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# ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

Certified Public Accountants



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January 21, 2008

## INDEPENDENT AUDITOR'S REPORT

Members of the Board  
Reese Unity District Library  
Reese, Michigan 48757

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Reese Unity District Library as of and for the year ended December 31, 2007, which collectively comprise the Library's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Reese Unity District Library management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Reese Unity District Library as of December 31, 2007, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages i through iii and 8 and 9 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Reese Unity District Library's basic financial statements. The additional information listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of Reese Unity District Library. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Anderson, Tuckey, Bernhardt & Doran, P.C.*

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

**Reese Unity District Library  
Management's Discussion and Analysis  
December 31, 2007**

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The basic financial statements on pages 1 and 2 include information that presents two different views of the Library using the modified-accrual and full accrual methods.

The first two columns of the governmental fund balance sheet/statement of net assets and the governmental fund statement of revenue, expenditures, and changes in fund balance/statement of activities include information about the Library's General Fund and Special Revenue Fund under the modified-accrual method. The modified-accrual basis focuses on current financial resources and provides a more detailed view about the accountability of the Library's sources and uses of the funds.

The GASB 34 adjustment columns represent adjustments necessary to convert the modified-accrual basis financial statements to the full-accrual method financial statements. The full-accrual basis focuses on long-term economic resources.

The Library as a Whole column provides both long-term and short-term information about the Library's overall financial status. The Library as a Whole statement of net assets – full-accrual basis column and the Library as a Whole statement of activities – full-accrual basis column provide information about the activities of the Library as a Whole and present a longer-term view of the Library's finances. These columns tell how these services were financed in the short-term, as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

As this is the first year of the Library's management's discussion and analysis report, and, consistent with Governmental Accounting Standards Board Statement Number 34, this year's report does not show data comparative with prior years. In future years, the condensed financial information section will include this information.

**Condensed Financial Information**

Below shows the key financial information under the full-accrual method in a condensed format. Note: Amounts and totals reported are for all Library activities to give a complete picture.

	<b><u>December, 31</u></b> <b><u>2007</u></b>
<b>Assets</b>	
Current assets	\$148,715
Property taxes receivable	157,000
Capital assets	<u>198,006</u>
Total assets	<u>\$503,721</u>
<b>Liabilities</b>	
Current liabilities	<u>\$7,076</u>
Total liabilities	<u>\$7,076</u>
<b>Net Assets</b>	
Investment in capital assets – Net of related debt	\$198,006
Restricted for debt retirement	-
Unrestricted	<u>298,639</u>
Total net assets	<u>\$496,645</u>

**Reese Unity District Library  
Management's Discussion and Analysis  
December 31, 2007**

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	<u>December, 31</u> <u>2007</u>
<b>Revenue</b>	
Intergovernmental revenue	\$ 4,976
Fines	36,339
Property taxes	157,000
Interest Income	4,811
Memorials and donations	780
Miscellaneous	<u>2,962</u>
Total revenue	<u>206,868</u>
<b>Expenditures</b>	
Salaries and employee benefits	62,027
Library materials	8,176
Operational	26,504
Depreciation	16,588
Miscellaneous	<u>1,174</u>
Total expenditures	<u>114,469</u>
<b>Change in Net Assets</b>	<u>92,399</u>
<b>Net Assets, Beginning of year</b>	<u>404,246</u>
<b>Net Assets, End of year</b>	<u>\$496,645</u>

**The Library as a Whole**

The Library's net assets increased by \$91,026 this year. The Library's primary sources of revenue are from property taxes and fines.

Salaries and fringe benefits continue to be the largest expense for the Library's General Fund.

**The Library's Funds**

The budgetary analysis of the General Fund is included on pages 8-9, which shows the General Fund, the Library's major operating fund, including revenues and expenditures, excess of revenue over expenditures, other financing sources and fund balance.

**Library's Budgetary Highlights**

The major variance was the Property taxes revenue, which was less than budget by \$6,373.

**Capital Assets and Long-term Debt Activity**

At the end of the fiscal year, the Library had \$198,006 invested in buildings, furniture, equipment, books and videos based on the historical cost. During the year \$31,471 was spent on furniture and fixtures, office equipment and building improvements.

**Requests for Information**

This financial report is designed to provide a general overview of Reese Unity District Library's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Reese Unity District Library, Reese, Michigan 48757.

## BASIC FINANCIAL STATEMENTS

**REESE UNITY DISTRICT LIBRARY**  
**GOVERNMENT FUND BALANCE SHEET/STATEMENT OF NET ASSETS**  
December 31, 2007

	<u>Governmental Fund Type</u>		<u>Total- Modified- Accrual Basis</u>	<u>GASB No. 34 Adjustments (Note 3)</u>	<u>Library as a Whole Statement of Net assets- Full-Accrual Basis</u>
	<u>General</u>	<u>Special Revenue</u>			
<b><u>ASSETS</u></b>					
CURRENT ASSETS:					
Cash	\$ 144,268	\$ 4,447	\$ 148,715	-	\$ 148,715
Property taxes receivable				\$ 157,000	157,000
TOTAL CURRENT ASSETS	144,268	4,447	148,715	157,000	305,715
CAPITAL ASSETS					
Capital assets, net of accumulated depreciation		-	-	198,006	198,006
TOTAL CAPITAL ASSETS	-	-	-	198,006	198,006
<b>TOTAL ASSETS</b>	<b>\$ 144,268</b>	<b>\$ 4,447</b>	<b>\$ 148,715</b>	<b>\$ 355,006</b>	<b>\$ 503,721</b>
<b><u>LIABILITIES AND FUND EQUITY</u></b>					
CURRENT LIABILITIES					
Deferred revenue	\$ 4,214	-	\$ 4,214	-	\$ 4,214
Payroll liabilities	2,862	-	2,862	-	2,862
TOTAL LIABILITIES	7,076	-	7,076	-	7,076
<b><u>FUND BALANCE/NET ASSETS</u></b>					
Invested in capital assets, net of related debt				\$ 198,006	198,006
Unrestricted	137,192	\$ 4,447	141,639	157,000	298,639
TOTAL FUND BALANCE/NET ASSETS	137,192	4,447	141,639	\$ 355,006	\$ 496,645
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 144,268</b>	<b>\$ 4,447</b>	<b>\$ 148,715</b>		

See accompanying notes to financial statements.



**REESE UNITY DISTRICT LIBRARY**  
Statement of Governmental Fund Revenue, Expenditures And  
Changes In Fund Balance/Statement of Activities  
For the Year Ended December 31, 2007

	<b>GOVERNMENTAL FUND TYPES</b>			<b>GASB No. 34 Adjustments (Note 3)</b>	<b>Library as a Whole Statement of Net Assets- Full-Accrual Basis</b>
	<b>General</b>	<b>Special Revenue</b>	<b>Total - Modified- Accrual Basis</b>		
<b>REVENUES:</b>					
Intergovernmental revenue	\$ 4,976		\$ 4,976		\$ 4,976
Fines	36,339		36,339		36,339
Property taxes	155,627		155,627	\$ 1,373	157,000
Interest Income	4,782	\$ 29	4,811		4,811
Memorials and donations		780	780		780
Miscellaneous	2,962	-	2,962		2,962
<b>TOTAL REVENUES</b>	<b>204,686</b>	<b>809</b>	<b>205,495</b>	<b>1,373</b>	<b>206,868</b>
<b>EXPENDITURES:</b>					
Salaries and employee benefits	62,027	-	62,027		62,027
Library materials	18,644	-	18,644	(10,468)	8,176
Operational	26,504	-	26,504		26,504
Capital outlay	31,471	-	31,471	(31,471)	-
Depreciation	-	-	-	16,588	16,588
Miscellaneous	1,174	-	1,174		1,174
<b>TOTAL EXPENDITURES</b>	<b>139,820</b>	<b>-</b>	<b>139,820</b>	<b>(25,351)</b>	<b>114,469</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>64,866</b>	<b>809</b>	<b>65,675</b>	<b>26,724</b>	<b>92,399</b>
<b>OTHER FINANCING SOURCES</b>					
Operating transfers in			-		-
Operating transfers out			-		-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>EXCESS OF REVENUE &amp; OTHER SOURCES OVER (UNDER) EXPENDITURES &amp; OTHER USES</b>	<b>64,866</b>	<b>809</b>	<b>65,675</b>	<b>26,724</b>	<b>92,399</b>
<b>FUND BALANCE/NET ASSETS - BEGINNING</b>	<b>72,326</b>	<b>3,638</b>	<b>75,964</b>	<b>328,282</b>	<b>404,246</b>
<b>FUND BALANCE/NET ASSETS - ENDING</b>	<b>\$ 137,192</b>	<b>\$ 4,447</b>	<b>\$ 141,639</b>	<b>\$ 355,006</b>	<b>\$ 496,645</b>

See accompanying notes to financial statements.

**REESE UNITY DISTRICT LIBRARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

**NOTE 1 - DESCRIPTION OF DISTRICT LIBRARY OPERATIONS AND FUND TYPES:**

The Reese Unity District Library was established effective February 1, 2005, replacing the Unity District Library. The Reese Unity District Library has new boundaries which are the same as the Reese School District. All assets, liabilities and employees of the Unity District Library were transferred to the new Reese Unity District Library.

The District Library is governed by a board consisting of seven members, two appointed by the Reese Village Council, three appointed by the Denmark Library Board and two appointed by the Reese School Board.

**Reporting Entity:**

In evaluating how to define the Library, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP, currently GASB Statement #14, *The Financial Reporting Entity*.

Based upon the application of these criteria, the general purpose financial statements of the Reese Unity District Library contain all the funds and account groups controlled by the District's Board as no other entity meets the criteria to be considered a blended component unit or a discretely presented component of the Library nor is the Library a component unit of another entity.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**Basis of Accounting:**

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. There is no component unit to be included in the Library's financial report.

**Adoption of New Accounting Standards:**

During the fiscal period 2007, the District adopted GASB Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments Omnibus, an amendment to GASB Statement No. 21 and No. 34, issued June 2001, and in GASB Statement No. 38, Certain Financial Statements Note Disclosures, issued in 2001. These statements require the Library to prepare a Management's Discussion and Analysis, government-wide financial statements on an accrual basis, and make certain changes to the footnotes.

The following table shows beginning net assets restated for the effects of implementation of GASB Statement No. 34:

Fund balance at December 31, 2006 – governmental funds	\$ 75,964
Property Taxes Receivable	155,627
Net capital assets (restated)	<u>172,655</u>
Restated net assets – January 1, 2007	<u>\$404,246</u>

**Measurement Focus, Basis of Accounting, and Financial Statements Presentation:**

The Library's basic financial statements include both the Library as a Whole and its individual fund financial statements.

**Library as a Whole Financial Statements:**

The Library as a whole financial statements (i.e. the statement of net assets and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting, which is described below.

**REESE UNITY DISTRICT LIBRARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Library's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The statement of activities includes depreciation on long-term assets and eliminates capital outlay expense.

As a general rule, the effect of interfund activity has been eliminated from the library-wide financial statements.

**Fund Financial Statements**

The Library's individual fund financial statements are reported using the current financial resources measurement focus and the modified-accrual basis of accounting, which is described below.

Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual – that is, when they become both measurable and available to finance expenditures of the fiscal period. All other revenue items are considered to be available only when cash is received by the Library.

The Library reports the following governmental funds as major funds:

*General Fund* - The General Fund is the Library's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

*Special Revenue Fund* – Special Revenue Funds are utilized to account for proceeds of specific revenue sources that are legally or board restricted to expenditures for specified purposes.

**ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY:**

**Cash and Investments** – The Library considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Investments are recorded at fair value.

**Receivables and Payables** – In general, outstanding balances between funds are reported as “due to/from other funds.”

**Property Taxes** – Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed. The 2007 taxable valuation of the Library totaled approximately \$161,845,075 on which ad valorem taxes levied consisted of 1.0 mills for the Library's operating purposes and for debt retirement.

**REESE UNITY DISTRICT LIBRARY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

**Capital Assets** – Capital assets are defined by the Library as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Buildings, furniture, equipment, library books, periodicals, and videos are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	7 - 50 years
Furniture and equipment	5 - 20 years
Library books and videos	5 years

**Fund Equity** – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose.

**Use of Estimates** – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

**Budgets And Budgetary Accounting:**

Reese Unity Area District Library adopts a budget for the General Fund just prior to the beginning of the year. The budget is adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts as shown in the financial statements are as originally adopted or as amended by the Board of Trustees. All annual appropriations lapse at fiscal year-end. The Library does not utilize encumbrance accounting.

**NOTE 3 – RECONCILIATION OF THE LIBRARY AS A WHOLE AND THE GOVERNMENTAL FUNDS FINANCIAL STATEMENTS:**

Total fund balances and the net change in fund balances of the Library's individual funds differ from net assets and change in net assets of the Library as a Whole reported in the statement of net assets and statement of activities. This difference results primarily from the long-term economic focus of the statement of net assets and statement of activities versus the current focus of the statement of the individual governmental funds' balance sheet and statement of revenue, expenditures and change in fund balance. The following is a reconciliation of fund balances to net assets and the net change in fund balances to the net change in net assets:

<b>Total Fund Balance – Modified-accrual Basis</b>	<b>\$141,639</b>
Amounts reported in the statement of net assets are different because:	
Property Taxes Receivable	157,000
Capital assets are not financial resources and are not reported in the funds	<u>198,006</u>
<b>Total Net Assets – Full-accrual Basis</b>	<b><u>\$496,645</u></b>

**REESE UNITY DISTRICT LIBRARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

**NOTE 3 – RECONCILIATION OF THE LIBRARY AS A WHOLE AND THE GOVERNMENTAL FUNDS FINANCIAL STATEMENTS (Continue):**

<b>Net Change in Fund Balances – Modified-accrual Basis</b>	<b>\$ 65,675</b>
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Amounts reported in the statement of net activities are different because:

Property taxes receivable	1,373
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Governmental funds report capital outlay as expenditures in the statement of activities; these costs are allocated over their estimated useful lives as depreciation:

Library books and videos	10,468
Capital outlay	31,471
Depreciation expense	<u>(16,588)</u>

<b>Change in Net Assets – Full-accrual Basis</b>	<b><u>\$ 92,399</u></b>
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**NOTE 4 - DEPOSITS AND INVESTMENTS:**

**Deposits:**

At year-end, the bank balances were \$152,065. The carrying amount of the Library's deposits were \$148,715. All of the balance is covered by federal depository insurance. All Library deposits are uncollateralized.

**Investments:**

The Library does not have any investments as of December 31, 2007.

Additional disclosures required by GASB 40 are not included in the accompanying financial statements.

**NOTE 5 - RISK MANAGEMENT:**

The Library is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Library carries commercial insurance to cover any losses that may result from the above described activities.

**REESE UNITY DISTRICT LIBRARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

**NOTE 6 – CAPITAL ASSETS:**

Capital asset activity of the Library was as follows:

	Balance January 1, <u>2007</u>	<u>Additions</u>	Disposals and <u>Adjustments</u>	Balance December 31, <u>2007</u>
Capital assets not being depreciated:				
Land	\$ 2,500			\$ 2,500
Capital assets being depreciated:				
Buildings and improvements	162,744	\$ 718		163,462
Library books and videos	27,609	10,468	\$(5,169)	32,908
Furniture and equipment	41,509	30,753		72,262
Total capital assets, being depreciated	231,862	41,939	(5,169)	268,632
Less accumulated depreciation for:				
Buildings and improvements	24,769	4,231		29,000
Library books and videos	15,249	5,135	(5,169)	15,215
Furniture and equipment	21,689	7,222		28,911
Total accumulated depreciation	61,707	16,588	0	73,126
Total capital assets, being depreciated-net	170,155	25,351	0	195,506
Total net capital assets	<u>\$172,655</u>	<u>\$25,351</u>	<u>\$ 0</u>	<u>198,006</u>

Depreciation for the fiscal year ended December 31, 2007 amounted to \$16,588. The Library determined that it was impractical to allocate depreciation to the various library activities as the assets serve multiple functions.

**NOTE 7 – PENSION PLAN:**

The Library does not have a pension plan.

## Required Supplementary Information

**REESE UNITY DISTRICT LIBRARY**  
Required Supplementary Information  
Budgetary Comparison Schedule - Revenues  
General Fund  
For the Year December 31, 2007

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUES:				
Intergovernmental:				
State aid	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ 4,976</u>	<u>\$ (24)</u>
Total Intergovernmental	<u>5,000</u>	<u>5,000</u>	<u>4,976</u>	<u>(24)</u>
Fines:				
Penal fines	<u>25,000</u>	<u>25,000</u>	<u>36,339</u>	<u>11,339</u>
Property taxes	<u>162,000</u>	<u>162,000</u>	<u>155,627</u>	<u>(6,373)</u>
Miscellaneous Revenues:				
Interest & dividend income	<u>1,500</u>	<u>1,500</u>	<u>4,782</u>	<u>3,282</u>
Miscellaneous income	<u>3,100</u>	<u>3,100</u>	<u>2,962</u>	<u>(138)</u>
Total Miscellaneous	<u>4,600</u>	<u>4,600</u>	<u>7,744</u>	<u>3,144</u>
TOTAL REVENUES	<u><u>\$ 196,600</u></u>	<u><u>\$ 196,600</u></u>	<u><u>\$ 204,686</u></u>	<u><u>\$ 8,086</u></u>

See the accompanying notes.



**REESE UNITY DISTRICT LIBRARY**  
Required Supplementary Information  
Budgetary Comparison Schedule - Expenses  
General Fund  
For the Year December 31, 2007

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
<b>EXPENDITURES:</b>				
Salaries & Employee Benefits:				
Salaries	\$ 59,346	\$ 59,346	\$ 57,322	\$ 2,024
Payroll taxes	5,002	5,002	4,705	297
Total Salaries & Employees Benefits	<u>64,348</u>	<u>64,348</u>	<u>62,027</u>	<u>2,321</u>
Library Materials:				
Office supplies	1,000	1,000	640	360
Books	9,000	9,000	10,468	(1,468)
Subscriptions	2,000	2,000	937	1,063
Audio/video	3,000	3,000	596	2,404
Supplies	1,600	2,000	2,341	(341)
Programs	8,500	8,500	1,327	7,173
Memberships, dues, and fees	2,500	2,500	2,335	165
Total Library Materials	<u>27,600</u>	<u>28,000</u>	<u>18,644</u>	<u>9,356</u>
Operational:				
Advertising				-
Insurance	4,925	3,575	3,456	119
Utilities and telephone	5,700	5,400	5,252	148
Repairs and maintenance	2,900	3,700	3,762	(62)
Postage	1,750	550	426	124
Workshops, seminars, and mileage	4,895	4,895	1,063	3,832
Technology and system maintenance	11,300	9,500	6,919	2,581
Professional services	3,700	4,900	5,626	(726)
Total Operational	<u>35,170</u>	<u>32,520</u>	<u>26,504</u>	<u>6,016</u>
Capital Outlay	<u>40,000</u>	<u>41,982</u>	<u>31,471</u>	<u>10,511</u>
Other Miscellaneous	<u>2,982</u>	<u>3,250</u>	<u>1,174</u>	<u>2,076</u>
<b>TOTAL EXPENDITURES</b>	<u><u>\$ 170,100</u></u>	<u><u>\$ 170,100</u></u>	<u><u>\$ 139,820</u></u>	<u><u>\$ 30,280</u></u>

See the accompanying notes.

## ADDITIONAL INFORMATION

**REESE UNITY DISTRICT LIBRARY**  
**COMBINING BALANCE SHEET-**  
**SPECIAL REVENUE FUNDS**  
December 31, 2007

	<u>ENDOWMENT FUND</u>	<u>MEMORIAL FUND</u>	<u>TOTAL</u>
<b><u>ASSETS</u></b>			
Cash on hand & in banks	\$ 2,514	\$ 1,933	\$ 4,447
<b>TOTAL ASSETS</b>	<u>\$ 2,514</u>	<u>\$ 1,933</u>	<u>\$ 4,447</u>
<b><u>LIABILITIES AND FUND BALANCE</u></b>			
<b>FUND BALANCE</b>			
Reserved	\$ 2,514	\$ 1,933	\$ 4,447
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 2,514</u>	<u>\$ 1,933</u>	<u>\$ 4,447</u>

See the accompanying notes.

**REESE UNITY DISTRICT LIBRARY**  
**COMBINING STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**SPECIAL REVENUE FUNDS**  
**December 31, 2007**

	<u>ENDOWMENT FUND</u>	<u>MEMORIAL FUND</u>	<u>TOTAL</u>
REVENUES:			
Interest income	\$ 17	\$ 12	\$ 29
Memorials and donations	<u>194</u>	<u>586</u>	<u>780</u>
TOTAL REVENUES	<u>211</u>	<u>598</u>	<u>809</u>
EXPENDITURES:			
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>211</u>	<u>598</u>	<u>809</u>
OTHER FINANCING SOURCES (USES)			
Transfers in			-
Transfers out			<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-
EXCESS OF REVENUES & OTHER SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	<u>211</u>	<u>598</u>	<u>809</u>
FUND BALANCE JANUARY 1, 2007	<u>2,303</u>	<u>1,335</u>	<u>3,638</u>
FUND BALANCE DECEMBER 31, 2007	<u><u>\$ 2,514</u></u>	<u><u>\$ 1,933</u></u>	<u><u>\$ 4,447</u></u>

See the accompanying notes.

**ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.**  
Certified Public Accountants



Gary R. Anderson, CPA  
Jerry J. Bernhardt, CPA  
Thomas B. Doran, CPA

January 21, 2008

Robert L. Tuckey, CPA  
Valerie Jamieson Hartel, CPA  
Jamie L. Peasley, CPA

To the Board of Reese Unity District Library

In planning and performing our audit of the financial statements of Reese Unity District Library as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Reese Unity District Library's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

In addition, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated January 21, 2008 on the financial statements of Reese Unity District Library. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience or assist you in implementing the recommendation. Our comments are summarized as follows:

**Segregation of Duties**

Due to the limited number of people, many critical duties are combined and given to the available employees/board members. To the extent possible, duties should be segregated to serve as a check and balance and to maintain the best control system possible. We recommend the library segregate duties whenever possible.

This communication is intended solely for the information and use of management, Reese Unity District Library, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tuckey, Bernhardt & Doran, P.C.*

Anderson, Tuckey, Bernhardt & Doran, P.C.  
Certified Public Accountants

# ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

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January 21, 2008

To the Members of the Board  
Reese Unity District Library

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Reese Unity District Library for the year ended December 31, 2007, and have issued our report thereon dated January 21, 2008. Professional standards require that we provide you with the following information related to our audit.

## Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated January 21, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

## Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on January 21, 2008.

## Significant Audit Findings

### Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Reese Unity District Library are described in Note 2 to the financial statements. As described in Note 2 to the financial statements, the Reese Unity District Library changed its accounting policies related to full accrual financial statements by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 34, in 2007. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in Note 2. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

### Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 21, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Members of the Board and management of Reese Unity District Library and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Anderson, Tuckey, Bernhardt & Doran, P.C.*

Anderson, Tuckey, Bernhardt, & Doran, P.C.  
Certified Public Accountants